

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes*

*Bill Leonard, Member
State Board of Equalization*

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QUOTE OF THE WEEK

"Don't go around saying the world owes you a living; the world owes you nothing; it was here first." --- Mark Twain [Samuel Langhorne Clemens] (1835-1910)

UNDER THE DOME

*****Overlooked Budget Item Will Alleviate Health Care Crisis*****

From the Leonard Blog January 17, 2006

I have written many times on the wonderful benefits of tax-deductible Health Savings Accounts (HSA). Many Californians would be better off with a high-deductible health care plan. These typically call for subscribers to be responsible for the first \$2,000 in medical expenses before insurance covers the rest. This allows people like small business workers or self-employed individuals to save hundreds each month on health care premiums. HSAs allow people to make a monthly tax deductible contribution to an account that covers the insurance deductibles. The savings can make a huge difference for people's budgets. High deductible plans would give tens of thousands of Californians affordable health insurance, extra money for a car payment, or a mortgage they would otherwise not be able to afford. The problem is that while Congress created the tax deductible accounts at the Federal level, the legislature defeated a proposal to make California conform to Federal law last year. This change is needed to give small businesses additional incentive to offer a high deductible plan to their employees.

I want to thank the National Federation of Independent Business for pointing out that the Governor's Budget provides for this conformity (See the Governor's Budget Summary GF revenue document <http://www.ebudget.ca.gov/BudgetSummary/REV/8865909.html>)

The NFIB sponsored the conforming legislation last year and I commend them for pursuing the issue.

*****A Piece of Paper*****

California has some of the toughest teacher credentialing laws in the nation. You cannot get the certificate without jumping through a lot of hoops, passing state tests, and taking special college classes. The problem is that none of these criteria select the best teachers. There is a bill now pending that would permit an ex-felon to have a teaching credential to teach classes to felons

about how to turn your life around when you get out of prison. Clearly, this person is the best person for that particular job. The fact that she does not have the right piece of paper is just good old government bureaucracy.

I had a friend who was one of the best theater directors and musicians I have ever met. He could work in private theaters and California colleges, but he lacked some special class that would have gotten him the piece of paper that would have “qualified” him to teach high schools kids in California public schools. The kids and the schools were the losers because he was not allowed to teach.

I am all for minimum standards for teachers and background checks so we know who they are, but I am also for letting the local administrator—yes, the principal of the local school-- deciding whom to hire to teach. Good teachers are rare gems and we should not be putting arbitrary roadblocks in their path. Our students are too important to settle for anything less.

ISSUE FOCUS

*****Election Observations*****

A former staff member of mine served as an official observer for the Iraqi elections last fall. He monitored those Iraqi voters living in the U.S. and voting in San Diego. After his experience, he recorded some of his thoughts to share with his own family and friends in his holiday greeting. I was touched by what he learned from the experience and wanted to share it with my readers. As an impartial election official, he takes no position on the war or U.S. policies in Iraq, but he writes about the human experience of voting in a way that should inspire all Americans. He says, “Have you ever gone into a polling place videotaping your voting experience? Have your children wept as you dropped your ballot into the ballot box? Have you ever shouted with glee about your freedoms as you walked into and out of the polling place? The Iraqi voters did. I must admit that I have acted emotionally during election time, but that has always been more about my wins and losses as the votes are tallied. I am proud when I cast a ballot, but I have never videotaped it. Nobody has ever taken my picture as I voted. Nobody has ever wept for me as I cast my ballot.” To read more of Brett Rowley’s thoughts, [click here](#).

*****If Not Jay, Then Madison*****

Two weeks ago, I quoted Federalist author John Jay explaining why America was united through language, customs, ancestors and the revolution. I expressed concern that several of those unifying factors have fallen by the wayside over the past 200 some years. Certainly our customs and ancestors are more diverse than ever. We no longer feel the passion of the fight for independence or even the patriotism that overflowed during WWII. And more and more these days we are de facto a multilingual society. If we are not drawn together by language, values and culture anymore, what can unite us? Where can we find the moral and intellectual agreement to make public policy decisions?

Perhaps Jay did not see far enough into the future, but fellow Federalist write John Madison did. He was paraphrased recently by Peggy Noonan in a Wall Street Journal Opinion Journal piece that I commend. <http://www.opinionjournal.com/columnists/pnoonan/?id=110007767> She wrote, “If the problem with government is that it is run by people and not, as James put it, angels, the problem with BIG government is that it is run by A LOT of people who are not angels.”

It reminded me of an article I wrote several years ago and which is even more true today. There is so much money being spent to influence elections and persuade elected officials because government now controls so much money. If you want to decrease the negative influences of political money, then you must seriously decrease the amount of money that flows from government. As Noonan writes, big government and big money get you to bad places. “It can get you to Jack Abramoff. To more size, more action, more corruption. To flawed people, who are essentially unaccountable and busy winning their own victories for their own cluster. ‘I got mine. You got yours?’”

Noonan’s column was aimed at the federal government, but it is also apropos for our state. Governor Schwarzenegger pledged to “blow up boxes,” a colorful way of suggesting the state government is too big and involves too many people. Since we can no longer hearken to Jay’s sense of unity, we now must recall Madison’s caution about government of men.

*****Points for Productivity*****

I am as guilty as other politicians, bloggers and media for following and reporting economic data. I thus enjoyed the recent piece by Arnold Kling that begins by saying that daily tracking of economic data is “bizarre” and that “there is no rational reason to try to assess the economy more frequently than every six months.” Kling’s favorite statistic is the average annual growth rate of productivity over five-periods. Such a long view evens out quarterly fluctuations and removes the temptation to give political credit for what is the economy’s natural workings. Here is what it shows:

Period	Average Productivity Growth
1955-1960	2.03
1960-1965	2.79
1965-1970	2.09
1970-1975	2.31
1975-1980	1.55
1980-1985	1.38
1985-1990	1.65
1990-1995	1.59
1995-2000	2.28
2000-2005	3.39

Kling concludes, while denying the accrual of political points to any president or policy, that “the economy today is in great shape. The average productivity growth rate in the last five years is the highest over the past half century.” To read the entire essay, visit

<http://www.tcsdaily.com/article.aspx?id=122805C>

I still think that policies have consequences, but I do agree that the consequences rarely show up in the short run.

MISCELLANY

A Good Read

Larry Elder, radio talk show host in Los Angeles, has written an engaging book called “Showdown.” This book is for a post-9/11 America and asks readers to question assumptions perpetuated by the media about racism, gun control, welfare, education and crime. One pervasive theme of his writing is the importance of fathers. He tells his own father’s story of hard work and long hours in search of his dream to open a café, which kept him working harder and even longer hours. Elder shares the values that his father instilled in him and laments that many of the problems our society faces today are caused by a lack of personal responsibility by fathers. He writes, “Ask Jesse Jackson or Al Sharpton this question. Which causes more difficulty and creates more pain—the presence of white racism, or the absence of black fathers?” Elder’s observations about media bias and political parties are insightful and his call for individual rights and duty is inspiring. All of this is written in a easy-to-follow, quick flowing format that will engage and entertain you, and will be a persuasive example for younger readers as well.

BOE AND LEGISLATIVE DATES

January 31-February 1, 2006 --- BOE meets in Sacramento.

February 13, 2006 --- Abraham Lincoln’s birthday holiday.

February 13, 2006 --- First day Declaration of Candidacy and Nominations papers can be turned in for candidates running in the June primary election.

February 20, 2006 --- Presidents’ Day/George Washington’s birthday holiday.

February 23, 2006 --- Last day to turn in petitions in-lieu of the filing fee for the June 2006 primary election.

March 7-9, 2006 --- BOE meets in Culver City.

NOTABLE DATES/ HISTORY

January 23, 1979 --- Steve Wozniak was granted a U.S. patent for his “Microcomputer For Use With Video Display,” better known as the Apple II computer.

January 24, 1964 --- The 24th Amendment to the U.S. Constitution went into effect, prohibiting the denial of voting rights due to failure to pay taxes.

January 25, 1961 --- The first live, nationally televised presidential news conference was held (JFK).

January 25, 1974 --- Ray Kroc, CEO of McDonald's, bought the San Diego Padres for \$12 million.

January 25, 1981 --- The 52 Americans held hostage by Iran for 444 days arrived back in U.S.

January 26, 1871 --- The U.S. income tax was repealed.

January 26, 1954 --- Ground was broken for Disneyland.

January 26, 1998 --- President Clinton said, "I want to say one thing to the American people, I did not have sexual relations with that woman, Miss Lewinsky."

January 27, 1945 --- Russian troops liberated the Nazi concentration camps Birkenau and Auschwitz.

January 28, 1914 --- Beverly Hills, California, was incorporated.

January 29, 1850 --- Henry Clay introduced a comprise bill on slavery in the U.S. Senate.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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